

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 03 KINSHASA 000724

SIPDIS

E.O. 12958: DECL: 04/29/2015

TAGS: [EFIN](#) [KTFN](#) [ECON](#) [PTER](#) [PGOV](#) [CG](#)

SUBJECT: CONGOLESE CENTRAL BANK OPERATIONS

Classified By: Econoff Peter Newman for reasons 1.4 b/d

1. (C) Summary: The Congolese Central Bank (BCC) is currently undergoing strong scrutiny by the IMF. It has modernized its methods of open market operations, but still has little impact in most of the country due to the general weakness of the banking sector. The lack of effective branch offices - and in two provinces the lack of branches altogether - also hinders the BCC's reach into the interior. Numerous money transfer agencies remain outside the BCC's jurisdiction, although the BCC heads the GDRC's anti-terrorist finance team. End summary.

#### The Role of the BCC

-----

2. (C) The BCC has three main purposes. It is the banker for the Congolese government. All disbursement requests should pass from the Ministry of Finance to the BCC, which is not supposed to grant any disbursements requested outside of the recently established electronic financial system. (Note: The IMF has reiterated to the BCC that it must reject all requests coming outside of the electronic system, even if the refusal would be politically difficult. End note.) Second, the BCC is responsible for money supply management. Last, it regulates the entire banking system.

#### Managing the Money Supply - Open Market Operations

-----

3. (C) Until the GDRC signed an agreement with the IMF in 2002, the BCC managed the DRC money supply by making individual sales to banks on a case-by-case basis. Due to hyperinflation throughout the 1990s, adjustments of the interest rate did not strongly affect the money supply.

4. (C) On the recommendations of the IMF, the BCC currently uses the Holland Method of public tenders to determine the price of Congolese francs on the market. It is looking for the lowest exchange rate, or the rate that is closest to the estimated market price. Once the price is set for the tender, then all banks are required to pay the tender-determined price. The BCC works with the Congolese Banking Association to execute the tenders. Branch offices do not autonomously perform open tenders, and BCC headquarters in Kinshasa must approve all purchases and sales of currency. (Comment: This limits the reach of the BCC into the interior of the DRC. The lack of an integrated electronic network between BCC branches and Kinshasa hinders communication and the approval process for the branches. End comment.)

5. (U) There is not a significant number of banks operating in the DRC. The primary banks and their ownership are:

-Banque Commerciale du Congo (BCDC) - Banque Belgolaise, Congolese Government, and private investors

-Citibank - US

-Stanbic Bank - Standard Bank of South Africa

-Rawbank - locally-owned by the Rawjis, a Pakistani family who arrived in the Congo in 1922, correspondent with Banque Bruxelles Lambert

-Banque Internationale pour l'Afrique au Congo - multiple investors including Natexis Popular Bank, Credit Agricole Indisuez, and Banque Bruxelles Lambert

-Banque Internationale de Credit (BIC) - Belgolaise

-Banque Congolaise - Congolese and Lebanese ownership, correspondent with Bank of Beirut and American Express Bank

-Union des Banques Congolaises (UBC) - Congo, parastatal

Of these, only BCDC, Rawbank, and UBC have branches in cities other than Kinshasa. Some recently liquidated banks had branches in multiple cities. Banking is essentially non-existent outside of Kinshasa, Matadi and Lubumbashi.

6. (U) There are two microcredit banks currently operating:

-Trust Merchant Bank (owned by an Amcit resident of Lubumbashi)

-ProCredit Congo (supported by IPC and German Technical Cooperation)

17. (C) The BCC also adjusts interest rates to try to stimulate changes in the money supply. It has recently raised interest rates three times to try to curb speculation against the franc. Adjusting interest rates has a limited effect on the money supply, however, due to the extremely low levels of savings and investment in the DRC.

#### Branch Offices

18. (C) The BCC has branch offices in all provinces except North Kivu and Maniema. This is because those two provinces were once combined with South Kivu to compose a single Kivu province, with the provincial capital at Bukavu - now the capital of South Kivu. The BCC is currently in the process of establishing an autonomous agency in Kindu, Maniema. It, however, is not yet considering placing an office in Goma, North Kivu due to ongoing political complications. In places where neither a branch office nor an autonomous agency exist, the BCC signs agreements with a commercial bank operating in those places (normally BCDC or UBC) to operate for the BCC. This is currently the case in Beni, North Kivu.

19. (C) Although the BCC Governor previously had the right to name all the branch office and autonomous agency managers, he now must submit all nominations to the Conseil d'Administration (Board of Directors) of the BCC.

110. (C) Branch offices are not permitted to buy and sell currency without the approval of BCC headquarters in Kinshasa. Furthermore, the branch offices can only hold up to a few hundred million francs at any one time. At current exchange rates, this limits the branch offices to about \$5 million. Although for some branch offices, such as Mbandaka, Equateur, \$5 million is sufficient for day-to-day operations, that quantity is insufficient in major trade zones, for example Boma/Matadi and Lubumbashi.

#### Outside The System: Money Transfer Agencies

111. (C) Most money transfer agencies are outside of BCC control. They operate with little regulation. They cannot buy or sell currency with the BCC. Some agencies and "bureaus de change" operate entirely informally.

112. (C) The BCC has granted certain agencies, including Western Union and MoneyGram, special status. They are nominally under BCC regulation and can do limited transactions with the BCC.

113. (C) Given the presence of a major diamond market, weak banking system, and rampant corruption in the government tax and customs services, the potential for money laundering - through customs fraud, money transfers, etc - is high. The BCC recognizes the dangers unregulated money transfer agencies and bureaus de change pose for criminal activity, but is at present incapable of effectively bringing the agencies under its surveillance.

#### Fighting Terrorist Finance

114. (C) The GDRC has established an interagency counterterrorism task force. The BCC leads the terrorist finance commission and maintains lists of terrorists, including UNSCR 1267 and 1373 lists. Up to now, the GDRC has neither seized any assets under UNSCR 1267 or 1373 nor has it filed the necessary reports to the 1267 and 1373 commissions. The BCC explained that the Foreign Ministry and the National Security Advisor still need to clear the reports.

#### Comment

115. (C) The BCC is making strides with the IMF to liquidate insolvent banks, better regulate the solvent ones, and modernize BCC operations. In spite of the BCC's relatively successful reforms, the banking system in the DRC remains weak and will continue to be so until economic confidence returns. The BCC's ability to manage the money supply will continue to be severely restricted due to the lack of savings in the economy and intra-governmental pressure to make disbursements outside of the traceable electronic network. That most commercial financial transactions occur informally will also hinder the BCC's ability to monitor money laundering and terrorist finance. End comment.

DOUGHERTY